DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES
(Tabular dollars in thousands, Narrative in whole dollars)

Naval Petroleum and Oil Shale Reserves

PROGRAM MISSION

The Naval Petroleum and Oil Shale Reserves (NPOSR) have historically produced the Naval Petroleum Reserves at their maximum efficient rates of production pursuant to their enabling legislation, the Naval Petroleum Reserves Production Act of 1976. The petroleum products were either sold competitively in the open market, to the Strategic Petroleum Reserves (SPR), or to the Department of Defense. The mission of the NPOSR program has been to manage, operate, maintain and produce the Reserves to achieve the greatest value and benefits to the Government with consideration of the interests of the joint owners.

However, during FY 1998, the mission of the NPOSR changed dramatically due to the successful implementation of privatization initiatives mandated by Public Law 104-106, the National Defense Authorization Act for FY 1996 (the Act). The Act authorized the Secretary of Energy to sell the United States' interest in Naval Petroleum Reserve No. 1 (NPR-1 or Elk Hills) not later than two years after the February 10, 1996, effective date of the Act, and also directed that a study be conducted of the remaining reserve properties (NPR-2, NPR-3, and the three Naval Oil Shale Reserves) to determine which of four specified types of options, or combination of options, would maximize their value to the United States. The Act also directed that final equity percentages of the two owners of NPR-1, DOE and Chevron, U.S.A., be determined. The Act established a process and schedule for conducting the sale of NPR-1 which included hiring an investment banker to independently administer the sale; retaining five independent experts in the valuation of oil and gas fields to separately assess the value of the Government's interest in NPR-1 for use in establishing a minimum acceptable price; retaining an independent petroleum engineer to finalize equity with Chevron; and the hiring of an independent petroleum engineer to prepare a reserve report.

Congress has approved $36.5 million over a two-year period in order to carry out NPR-1 divestment activities. These funds were used for investment banking services, a reserve report, equity finalization, independent evaluations, legal services, environmental technical support, financial reports, and support for the Divestment Administration Team which has responsibility for management and oversight of the sales process. All of the principal elements of the NPR-1 divestment process (a reserve report and financial reports, a marketing brochure and briefings to prospective bidders, and independent evaluations of value) were completed on schedule. After contacting over 200 companies, 22 bona fide bids were received by the closing date of October 1, 1997. On October 5, 1997, an offer of

$3.65 billion from the Occidental Petroleum Corporation was accepted by the Government. The sale is scheduled to be completed in early February 1998, within the deadline mandated by the Act, and will be the largest privatization in the history of the Federal Government. The sale agreement provides that the purchaser will receive the net economic benefit of DOE's continued operation of the Reserve from October 1, 1997, until the closing date. One remaining issue is finalization of equity which, through mutual agreement with Chevron, has been decoupled from the sales process in order to allow the sale to be completed. The equity redetermination activity will continue through FY 1999, and perhaps longer.

In conjunction with the Elk Hills sale and pursuant to section 3415 of the Act, the Department entered into a Settlement Agreement on October 18, 1996, with the State of California concerning the State's Elk Hills "school lands" claims. Section 3415 of the Act provides that, after costs to conduct the sale have been deducted, nine percent of the remaining proceeds from the sale of Elk Hills shall be reserved in a contingent fund in the Treasury for payment to the State for the California Teachers' Retirement Fund, subject to appropriation by Congress, to the extent that the claims are settled or finally resolved in favor of the State by a court of competent jurisdiction. Payments to the State from the contingent fund are to be made in five equal installments beginning in FY 1999 and ending in FY 2003, unless the amount in the contingent fund exceeds $180 million, in which case the portion exceeding $180 million will be paid in two equal installments in FY 2004 and FY 2005. As specified in the Settlement Agreement, upon payment of the stipulated amounts, the State's Elk Hills school lands claims are extinguished and released in full. The FY 1999 budget requests that funds be appropriated from the contingent fund for the first installment in the amount of $36 million.

In addition, the Act required the Department to conduct a study to determine which of four types of options would maximize the value to the United States of the remaining reserves, excluding NPR-1. An independent petroleum consulting firm was hired to conduct this study and its report was completed in the fall of 1996. The Department's recommendation was subsequently submitted to Congress in March 1997. The National Defense Authorization Act for FY 1998 (Public Law 105-85), implemented the report's recommendations regarding Naval Oil Shale Reserves No. 1 and No. 3 by authorizing their transfer to the Department of the Interior for leasing.

The FY 1999 budget request is $22.5 million, a decrease of $84.5 million from FY 1998. This decrease is due to the sale of NPR-1 in February 1998 and transfer of the NOSR properties in Colorado to the Department of the Interior. Development activities associated with natural gas protection at Naval Oil Shale Reserve No. 3 in Colorado are eliminated. The FY 1999 budget includes costs associated with close-out of contracts and settlement of equity at NPR-1, well plugging and abandonment and environmental restoration necessary for the eventual abandonment of NPR-3, privatization of the Rocky Mountain Oilfield Testing Center (RMOTC), and funding for approximately 26 FTEs from NPR-1 who have been transferred from NPR-1 to other DOE or Government agencies under the terms of a Federal Employee Transition Plan.

Total receipts from operations and the sale of petroleum and related products from the Reserves in FY 1997 were $516 million, including reimbursement from Chevron and other miscellaneous revenues. Chevron U.S.A., Inc., which owns approximately 22 percent of NPR-1, reimburses the Government for its share of unit operations at NPR-1. Revenues from NPR-2 lease royalties and the sale of excess electricity from the cogeneration plant contributed $4 million in FY 1997. Revenues are estimated to be $175 million in FY 1998 and $7 million in FY 1999. The decrease is due to the sale of NPR-1.

NPR-1, located near Bakersfield, California, is notable as one of only 14 domestic oil fields to produce one billion barrels of oil and is ranked eleventh in production and sixth in remaining reserves among domestic fields. It has been operated under a unitization agreement (Unit Plan Contract) between the Government and Standard Oil Company of California (now Chevron U.S.A., Inc.). That agreement will terminate upon closing the sale of Elk Hills, scheduled for February 1998. Under the Unit Plan Contract, the Government establishes the time and rate of production, but all exploration, prospecting, development, and producing operations on the Reserve are conducted under the supervision and direction of a two-member Operating Committee consisting of one Government member and one Chevron member. The Unit Operator is Bechtel Petroleum Operations, Inc. (BPOI), which has operated the field under a five-year, cost-plus-award fee contract with the Government which began August 1, 1985. Execution of the five-year option on the contract extended the contract through August 1, 1995. Legislative authority to extend the contract for an additional three years was provided by Congress in order to allow continuity of operation during the divestment process.

Total crude oil production at NPR-1 in FY 1997 averaged 58,700 barrels of oil per day (BOPD) (the Government's approximately 78 percent share was 44,200 BOPD). The field produced an average of 363 million cubic feet per day (MMCFPD) of natural gas, 434 thousand gallons per day (MGPD) of natural gas liquids, and 100,000 barrels of associated water per day (BWPD). Production in FY 1998 is estimated to average approximately 56,900 BOPD (Government share 44,400 BOPD), 338 MMCFPD of natural gas (Government share 264 MMCFPD), 445 MGPD of natural gas liquids (Government share 347 MGPD), and 110 MBWPD.

The FY 1999 budget provides for post-sale close-out activities for Elk Hills, including redetermination and finalization of equity with Chevron, financial close-out of contracts and sub-contracts, transfer, archiving or disposal of records, environmental characterization and documentation, transfer of permits, and settlement of legal issues.

NPR-3, Teapot Dome, located near Casper, Wyoming, produced an average of 1,137 BOPD, 6 MMCFPD of natural gas and 6.3 MGPD of natural gas liquids in FY 1997. Production is estimated to average 700 BOPD in FY 1998 and 460 BOPD in FY 1999. NPR-3 will undergo major organizational changes during FY 1998. The site will transition from a contractor managed and operated facility to a DOE managed facility using some contractor field operations support. An important component of this transition will be the transfer of several individuals from NPR-1 to NPR-3 under the provisions of a Federal Employee Transition Plan developed for NPR-1 as part of the sales process for Elk Hills.

Several field operational changes will occur at NPR-3. In FY 1999, any remaining residual gas will be produced and the gas plant will be mothballed. NPR-3 will begin an environmental restoration effort in FY 1998 which includes the plugging and abandonment of about 190 wells. Funding of $3 million is included in the FY 1999 budget to plug and abandon 150 more wells. The environmental restoration and plugging/abandonment effort will continue for another three to four years. Funding for RMOTC is increased to $3 million, with the goal of privatizing the test center by FY 2001.

Efforts will continue to be directed toward maintaining a positive net cash flow through normal operations. Although no future development activities are planned, NPR-3 should continue to operate economically through approximately FY 2003. At that time, NPR-3 is expected to be turned over to the private sector or abandoned, subject to Congressional authorization, coinciding with completion of the well abandonment program so that the associated environmental liabilities will not be passed on to potential new owners.

Until NOSR-1 and 3 are transferred to the Department of the Interior (DOI), funding is provided for surface management, environmental monitoring, operation and maintenance of gas wells, and costs associated with transferring the properties. Drilling and communitization of wells to meet gas protection requirements will be funded from retained revenues as necessary, to the extent of available funds. Currently, there are 54 wholly Government owned or communitized wells at NOSR-3. No new drilling activity is planned.

Program Direction provides funding for 36 FTEs to direct, manage and oversee NPOSR operations, including close-out activities. As part of the NPR-1 Federal Employee Transition Plan, funding is also provided for 26 FTEs that may be transferred to other DOE and Government programs.

PERFORMANCE MEASURES

The Secretary's Performance Agreement with the President committed the Department to achieving two main objectives for NPOSR. A major step toward accomplishing the first objective, selling Elk Hills, was achieved when the offer of $3.65 billion from Occidental Petroleum Corporation was accepted on October 5, 1997. Closing the sale is scheduled for February 2, 1998. The second objective, achieving net revenues in the range of $217 million to $256 million to the Treasury, was accomplished.

FY 1999 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES
(dollars in thousands)

LEAD TABLE

Naval Petroleum and Oil Shale Reserves

Activity	FY 1997 Enacted	FY 1998 Enacted	FY 1999 Base	FY 1999 Request	Program Change Request vs. Base Dollar	Program Change Request vs. Base Percent
Reserves Nos. 1 & 2						
Operations & Maintenance	$102,050	$83,900	$83,900	$3,594	($80,306)	-96%
Development Drilling	17,000	0	0	0	$0	0%
Exploration Drilling	0	0	0	0	$0	0%
Development Facilities	0	5,600	5,600	0	($5,600)	-100%
Subtotal	$119,050	$89,500	$89,500	$3,594	($85,906)	-96%
Reserve No. 3						
Operations & Maintenance	$7,400	$8,500	$8,500	$10,180	$1,680	20%
Development Drilling	0	0	0	0	$0	0%
Development Facilities	1,000	0	0	0	$0	0%
Subtotal	$8,400	$8,500	$8,500	$10,180	$1,680	20%
Naval Oil Shale Reserves	$1,400	$1,200	$1,200	$1,850	$650	54%
Program Direction	$22,636	$7,800	$7,800	$6,876	($924)	-12%
Subtotal, NPOSR	$151,486	$107,000	$107,000	$22,500	($84,500)	-79%
Use of Prior Year Balances	($7,700)	$0	$0	$0	$0	0%
Total, NPOSR	$143,786	$107,000	$107,000	$22,500	($84,500)	-79%
Staffing (FTEs)						
Headquarters	16	16	16	13		
Field	56	56	56 *	49 *		
Total Staffing	72	72	72	62		

*Includes 26 FTEs transferred to other DOE and Federal agencies under the NPR-1 Federal Worker's Transition Plan.

Authorizations:

P.L. 104-106, National Defense Authorization Act for Fiscal Year 1996

P.L. 95-91, DOE Organization Act

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES
(dollars in thousands)

SUMMARY OF CHANGES

Naval Petroleum and Oil Shale Reserves

FY 1998 Base	**$107,000**
Reserves Nos. 1&2	
- Operations & Maintenance	**(80,306)**
Decrease due to sale of NPR-1	
- Development Facilities	**(5,600)**
Decrease due to sale of NPR-1	
Reserve No. 3	
- Operations & Maintenance	**1,680**
Increase due to plugging and abandonment of wells	
Naval Oil Shale Reserves	**650**
Increase due to activities required for transfer/sale of NOSRs	
Program Direction	**(924)**
Decrease due to reduction in program requirements and FTEs	
FY 1999 OMB BUDGET REQUEST	**$22,500**

NAVAL PETROLEUM AND OIL SHALE RESERVES

RESERVES 1 AND 2 (CALIFORNIA)

I. Mission Supporting Goals and Objectives:

Pursuant to P.L. 104-106, the National Defense Authorization Act for FY 1996, DOE was charged with the mission of selling NPR-1 by February 10, 1998. A major step toward accomplishing this mission was achieved when the offer of $3.65 billion from Occidental Petroleum Corporation was accepted on October 5, 1997. Although the new owner will assume operations of the field after settlement in early February 1998, funding will be required in FY 1999 in the Operations and Maintenance category in order to conduct post-sale close-out activities. The most significant of these activities is the settlement of equity with Chevron, for which geologic, petroleum and reservoir engineering services are required to prepare and support the Government's equity position. Other close-out activities will include, but are not limited to, financial close-out of contracts and sub-contracts; transfer, archiving and disposal of records; documentation and characterization of environmental status; disposition of third party permits; and settlement of workers' compensation and disability claims.

II. A. Funding Schedule:

Activity	FY 1997	FY 1998	FY 1999	$ Change	% Change
Operations & Maintenance					
Production Operations	$ 67,550	$51,500	$ 0	$-51,500	-100
Management & Administration	20,500	20,000	800	-19,200	-96
Technical Services	14,000	12,400	2,794	-9,606	-77
Subtotal, Operations & Maintenance	$102,050	$ 83,900	$3,594	$-80,306	-96
Development Drilling	$17,000	$0	$0	$0	$0
Exploratory Drilling	0	0	0	0	0
Development Facilities	0	5,600	0	-5,600	-100
Production	0	0	0	0	0
Sales	0	0	0	0	0
Revenues	0	0	0	0	0
Total, Reserves 1 and 2 (California)	$119,050	$89,500	$3,594	$-85,906	-96

II. B. Laboratory and Facility Funding Schedule:

All Other	$119,050	$89,500	$3,594	$-85,906	- 96
Total, Reserves 1 and 2 (California)	$119,050	$89,500	$3,594	$-85,906	- 96

III. Performance Summary: RESERVES 1 AND 2 (CALIFORNIA)

Activity	FY 1997	FY 1998	FY 1999
Operations & Maintenance Production Operations	Provided routine O&M activities for crude oil and gas production, distribution, processing and sales systems; remedial well workovers (200 jobs); electricity and power systems; buildings and facilities; waterflood and gas injection programs; fresh water and waste water systems; roads; total quality planned maintenance program; maintenance and repair projects; 35R plant maintenance; and operation of the cogeneration facility. Continued overhaul of major compressors (3 per year). (Use of prior year funds of $5,000.)	Provide routine O&M activities for crude oil and gas production, distribution, processing and sales systems; remedial well workovers (115 jobs); electricity and power systems; buildings and facilities; waterflood and gas injection programs; fresh water and waste water systems; roads; total quality planned maintenance program; maintenance and repair projects; 35R plant maintenance; operation of the cogeneration facility; and BPOI severance. Decrease is due to reduced operating time because of the sale.	No Activity due to sale.
	$67,550	$51,500	$ 0

III. Performance Summary: RESERVES 1 AND 2 (CALIFORNIA) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Operations & Maintenance Management & Administration	Provided required management of operations; planning and analytic support; scheduling; financial systems; revenue accounting; Unit cost allocation; inventory control; auditing; procurement; information services; human resources and operator fees.	Provide required management of operations; planning and analytic support; scheduling; financial systems; revenue accounting; Unit cost allocation; inventory control; auditing; procurement; information services; human resources; operator fee; contract close-out activities; and BPOI severance.	Continue close-out activities resulting from sale. Includes close-out of financial matters, transfer and archiving of records, transfer of permits, and close-out of sub-contracts. Decrease is due to sale.
	$20,500	$20,000	$800

III. **Performance Summary:** RESERVES 1 AND 2 (CALIFORNIA) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Operations & Maintenance Technical Services	Provided required technical support for production, reservoir and geological engineering; facilities and systems engineering; advanced technology testing and development; safety; environment; security and quality assurance; total quality management; endangered species and hazardous waste compliance. (Use of prior year funds of $2,000.)	Provide required technical support for production, reservoir and geological engineering; facilities and systems engineering; advanced technology testing and development; safety; environment; security and quality assurance; total quality management; endangered species and hazardous waste compliance; and BPOI severance. Decrease due to reduced technical requirements as a result of the sale.	Provide required technical support to complete the settlement of ownership equity in the unitized zones and complete environmental close-out activities. Decrease due to reduced technical requirements as a result of the sale.
	$14,000	$12,400	$2,794
Operations & Maintenance Subtotal	$102,050	$83,900	$3,594

III. Performance Summary: RESERVES 1 AND 2 (CALIFORNIA) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Development Drilling	Drilled 9 Stevens horizontal wells and one SOZ horizontal well to provide additional production and help maintain asset value. Decrease is due to the limited drilling program because of the impending sale. (Use of prior year funds of $8,100.)	No new activity due to sale.	No new activity due to sale.
	$17,000	$0	$0
Exploratory Drilling	Completed processing seismic data and testing of Santos Zone. No additional activity is planned. (Use of prior year funds of $2,500.)	No new activity due to sale.	No new activity due to sale.
	$0	$0	$0

III. Performance Summary: RESERVES 1 AND 2 (CALIFORNIA) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Development Facilities	Provided for the design, construction, modification or expansion of facilities. Projects were designed to meet continuing production requirements and increase profitability; while complying with safety, health and environmental requirements. The only major project planned is the Rule 4701 NOx reduction project. (Use of prior year funds of $7,700.)	Provide for the design, construction, modification or expansion of facilities. Projects are designed to meet continuing production requirements and increase profitability; while complying with safety, health and environmental requirements. The only major project planned is continuation of the Rule 4701 NOx reduction project.	No new activities due to sale.
	$0	$5,600	$0
Production	Produced 58,700 BOPD, 363 MMCFPD of natural gas, 434 MGPD of liquid products and 103 MBPD of water.	Produce an estimated 56,900 BOPD, 338 MMCFPD of natural gas, 445 MGPD of liquid products and 110 MBPD of water.	No production due to sale.
	$0	$0	$0

III. Performance Summary: RESERVES 1 AND 2 (CALIFORNIA) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Sales	Sold 44,200 BOPD, 102 MMCFPD of natural gas, and 357 MGPD of liquid products.	Sell an estimated 44,400 BOPD, 96 MMCFPD of natural gas, and 347 MGPD of liquid products.	No Government share of production due to sale.
	$0	$0	$0
Revenues	Generated revenues of $501 million.	Generate estimated revenues of $163 million. The revenue decrease is due to the reduction in operating time as a result of the sale.	No Government revenues from production due to sale.
	$0	$0	$0
Reserves 1 and 2 (California) Total	$119,050	$89,500	$3,594

NAVAL PETROLEUM AND OIL SHALE RESERVES

RESERVE 3 (WYOMING)

I. **Mission Supporting Goals and Objectives**:

The objective at NPR-3 is to operate and produce the reserve to maximize profitability while preparing for orderly abandonment of a declining oil field. Funding is required to continue conventional oil field management and operations. Operations & Maintenance provides for the necessary daily activities to produce oil and gas from the Reserve. This includes operation, maintenance and repair of facilities and equipment; engineering support; financial management; administrative support; technical support; purchase of field equipment; and environmental, safety, and quality assurance support. No funding is requested for either Development Drilling or Development Facilities. Due to the declining nature of the field, no new drilling or facility investments are planned.

As part of P.L. 104-106, a study was conducted by an independent petroleum consultant to evaluate and recommend which of four specified future courses of action would best maximize the value of NPR-3 to the United States: retention by the Department under existing law, retention by another Federal agency under existing law, lease, or sale. The recommendation of the study, concurred in by the Department, was to retain NPR-3 as long as it could be operated profitably, and then either abandon the field or turn it over to a small private operator. Although no future development activities are planned, NPR-3 should continue to operate economically through FY 2003. To prepare the field for future abandonment or privatization, funding of $3 million is included to begin environmental remediation. This consists primarily of plugging and abandonment of wells, and is planned to be accomplished over a four to five year period.

The Rocky Mountain Oilfield Testing Center (RMOTC), established in 1995 at NPR-3 in accordance with the Department's Domestic Natural Gas and Oil Initiative, will be privatized by 2001. Activity at RMOTC will be increased in FY 1999 in order to demonstrate its potential as a profitable operation and generate interest from the private sector in the privatization initiative. RMOTC currently serves as a training center as well as a facility for demonstrating, testing and evaluating new technologies and equipment in an operating oil field environment. Funding for the center is through a cost/resource sharing arrangement with industry, Federal, State and local governments, Native American tribes, trade associations, technology centers, national labs, and academia.

NPR-3 is committed to operating a profitable baseline program. Management initiatives which have contributed to cost savings in prior years will be continued, and new initiatives evaluated. The continued use of Total Quality Management procedures to improve operational efficiencies and reduce costs is also expected to contribute to the profitability of NPR-3.

II. A. Funding Schedule: Reserve 3 (Wyoming)

Activity	FY 1997	FY 1998	FY 1999	$ Change	% Change
Operations & Maintenance					
Production Operations	$5,506	$4,945	$2,950	$-1,995	- 40
Management & Administration	749	520	310	-210	- 40
Technical Services	1,145	3,035	6,920	3,885	+128
Subtotal, Operations & Maintenance	$7,400	$8,500	$10,180	$1,680	+20
Development Drilling	$0	$0	$0	$0	0
Development Facilities	1,000	0	0	0	0
Production	0	0	0	0	0
Sales	0	0	0	0	0
Revenues	0	0	0	0	0
Total, Reserve 3 (Wyoming)	$8,400	$8,500	$10,180	$1,680	+20

II. B. Laboratory and Facility Funding Schedule:

All Other	$8,400	$8,500	$10,180	$1,680	+ 20
Total, Reserve 3 (Wyoming)	$8,400	$8,500	$10,180	$1,680	+ 20

III. **Performance Summary:** Reserve 3 (Wyoming)

Activity	FY 1997	FY 1998	FY 1999
Operations & Maintenance Production Operations	Provided routine O&M activities for production related facilities; petroleum handling facilities; gas collection, processing, and injection facilities; waterflood facilities; well servicing and maintenance; electricity and utility systems; buildings, roads, and grounds; DOE-owned heavy field equipment and motor vehicles; continued operation of the EOR steam drive development project; operator fee.	Continue to provide routine O&M activities for production related facilities; petroleum handling facilities; gas collection, processing, and injection facilities; waterflood facilities; well servicing and maintenance; electricity and utility systems; buildings, roads, and grounds; DOE-owned heavy field equipment and motor vehicles; and operator fee. Decrease is due to implementation of cost reduction measures to increase profitability and fewer operational requirements.	Continue to provide routine O&M activities for production related facilities; petroleum handling facilities; waterflood facilities; well servicing and maintenance; electricity and utility systems; buildings, roads, and grounds; DOE-owned heavy field equipment and motor vehicles; decommissioning of the gas plant; and operator fee. Decrease is due to a reduction in operational requirements and development opportunities.
	$5,506	$4,945	$2,950

III. **Performance Summary:** Reserve 3 (Wyoming) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Operations & Maintenance Management & Administration	Provided required general management and administrative support functions at NPOSR-CUW including: overall management of field; scheduling and planning; quality assurance; financial management; ADP; procurement; and human resources.	Continue to provide required general management and administrative support functions at NPOSR-CUW including; overall management of field; scheduling and planning; quality assurance; financial management; ADP; procurement; and human resources. Decrease is due to implementation of cost reduction measures to increase profitability and reduced requirements.	Continue to provide required general management and administrative support functions at NPOSR-CUW including: overall management of field; scheduling and planning; quality assurance; financial management; ADP; procurement; and human resources. Decrease is due to a reduction in program requirements.
	$749	$520	$310

III. **Performance Summary:** Reserve 3 (Wyoming) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Operations & Maintenance Technical Services	Provided required technical and ES&H support for field operations, including: petroleum geology; production engineering; facilities and construction engineering; advanced technology testing and development; reservoir studies; security; and environmental, safety and health program.	Continue to provide required technical and ES&H support for field operations, including: petroleum geology; production engineering; facilities and construction engineering; advanced technology testing and development; reservoir studies; security; and environmental, safety and health programs. Increase is due to technology transfer activities.	Continue to provide required technical and ES&H support for field operations, including: petroleum geology; production engineering; facilities and construction engineering; advanced technology testing and development; reservoir studies; security; and environmental, safety and health programs. Increase is due to technology transfer activities to provide opportunity for privatization, and environmental restoration (plugging and abandonment of about 150 wells).
	$1,145	$3,035	$6,920
Operations & Maintenance Subtotal	$7,400	$8,500	$10,180

III. **<u>Performance Summary</u>:** Reserve 3 (Wyoming) (Cont'd)

Activity	FY 1997	FY 1998	FY 1999
Development Drilling	Completed FY 1996 drilling program. No new activity is planned. $0	No new activity is planned. $0	No new activity is planned. $0
Development Facilities	Mothballed steam drive development patterns due to unfavorable economics. $1000	No new activity is planned. $0	No new activity is planned. $0
Production	Produced 1,147 BOPD and processed 6.4 MGPD of liquid products. NPR-3 also produced natural gas used for field injection. $0	Produce an estimated 700 BOPD and process 3.5 MGPD of liquid products. $0	Produce an estimated 460 BOPD. $0
Sales	Sold 1,147 BOPD and 6.4 MGPD of liquid products. $0	Sell an estimated 700 BOPD and 3.5 MGPD of liquid products. $0	Sell an estimated 460 BOPD. $0
Revenues	Generated revenues of $9.9 million. $0	Generate estimated revenues of $8.8 million. $0	Generate estimated revenues of $4.0 million. $0
Reserve 3 (Wyoming) Total	$8,400	$8,500	$10,180

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL OIL SHALE RESERVES, (COLORADO & UTAH)

I. Mission Supporting Goals and Objectives:

The historical mandate of the NPOSR program has been to protect, maintain and explore the Government's resources at the Naval Oil Shale Reserves (NOSRs). However, P.L. 105-85 mandates the transfer of NOSR-1 and 3 to the Department of the Interior for commercial leasing. Until transfer occurs, NPOSR will continue to conduct routine management activities in FY 1999, which will focus on continuing surface management activities, groundwater monitoring of the spent shale pile at NOSR-3 to mitigate any adverse environmental impact, other statutorily required environmental compliance activities, minor maintenance requirements, and operation and maintenance of on-line gas wells. Funding is requested to carry out these activities in FY 1999, as well as funds to prepare for and implement a transfer of the Reserves to DOI. Transfer activities include providing DOI with administrative and engineering records, and settlement of environmental issues.

Due to provisions for gas protection activities contained in P.L. 101-512, revenues retained from the sale of natural gas produced at the NOSRs are available to continue the gas protection program. This includes communitization and drilling of new wells if it is required. Drilling and communitization requirements are dependent upon the extent of private development activity with the potential of draining natural gas underlying the Reserves. Retained revenues may be used solely for gas protection activities.

II. A. Funding Schedule:

Activity	FY 1997	FY 1998	FY 1999	$ Change	% Change
Naval Oil Shale Reserves, (Colorado & Utah)	$1,400	$1,200	$1,850	$650	+ 54
Total, Naval Oil Shale Reserves, (Colorado & Utah)	$1,400	$1,200	$1,850	$650	+ 54

II. B. Laboratory and Facility funding Schedule:

All Other	$1,400	$1,200	$1,850	$650	+ 54
Total, Naval Oil Shale Reserves, (Colorado & Utah)	$1,400	$1,200	$1,850	$650	+ 54

III. **Performance Summary**: NAVAL OIL SHALE RESERVES, (COLORADO & UTAH)

Activity	FY 1997	FY 1998	FY 1999
Naval Oil Shale Reserves, (Colorado & Utah)	Continued surface management, groundwater monitoring for environmental compliance, advanced technology testing and development and minor maintenance requirements. As part of the ongoing gas protection program, continued the operation and maintenance of the 54 gas wells. Retained revenues will be used to meet drilling and communitization requirements as needed and to the extent of available funds. Production was 8.4 MCFD. Revenues were $5.3 million, of which about $4.0 million was retained for further gas protection activities.	Funding is requested to carry out the program's authorized mission and objectives. This includes surface management, groundwater monitoring for environmental compliance, advanced technology testing and development and minor maintenance requirements. Retained revenues will be used to continue implementation of the natural gas protection program. Production is estimated to average 7.9 MCFD. Revenues are estimated at $3.0 million, of which $2.4 million is estimated to be retained for gas protection activities.	Pursuant to P.L. 105-85, the Department of the Interior is to arrange for a lessee to assume operation of the developed NOSR-3 properties in FY 1999. Funding is required to support the transfer activities which include engineering, administrative and environmental support, and for remedial work relating to the spent shale pile. Until transfer occurs, routine operations and maintenance will continue. Production is estimated to be 7 MCFD. Revenues are estimated at $0.3 million.
	$1,400	$1,200	$1,850
Naval Oil Shale Reserves (Colorado & Utah)			
Total	$1,400	$1,200	$1,850

NAVAL PETROLEUM AND OIL SHALE RESERVES

PROGRAM DIRECTION

I. Mission Supporting Goals and Objectives:

This activity provides funding to support 36 FTEs required to manage, operate, maintain and produce the remaining program assets to achieve the greatest value and benefits to the Government. Government personnel are located at Headquarters and in the field and are responsible for directing, monitoring and evaluating the performance of supporting contractors to ensure compliance with program objectives. Specific areas of oversight include planning, financial management, administrative and personnel support, engineering and geology, ADP, procurement, environment, safety and quality assurance. This activity also includes administrative services under the working capital fund.

Federal staff will also provide significant support to close-out activities in such areas as engineering, finance, administration and human resources. A Federal Employee Transition Plan has been developed to ensure sufficient Federal staff are retained to carry out continued operations, divestiture and close-out activities at NPR-1. Funding is also included for 26 FTEs from NPR-1 who may transfer to other DOE and Federal programs as part of the transition plan.

II. A. Funding Schedule:

Activity	FY 1997	FY 1998	FY 1999	$ Change	% Change
Program Direction	$22,636	$7,800	$6,876	$ - 924	- 12
Total, Program Direction	$22,636	$7,800	$6,876	$ -924	-12

II. B. Laboratory and Facility Funding Schedule:

All Other	$22,636	$7,800	$6,876	$ -924	- 12
Total, Program Direction	$22,636	$7,800	$6,876	$-924	- 12

III. Performance Summary: PROGRAM DIRECTION

Activity	FY 1997	FY 1998	FY 1999
Program Direction	Funding by Object Class: Personnel Compensation $5,047 Benefits 1,233 Travel 410 Contractor Services 15,946 Provided for Headquarters and on-site management of the Reserves (70 FTEs) in the following area; policy and planning; petroleum engineering; facilities engineering; financial management; ADP; procurement; personnel; and environment and safety. Complete engineering, financial, administrative and human support for divestiture activities.	Funding by Object Class: Personnel Compensation $3,000 Benefits 3,787 Travel 413 Contractor Services 600 Provide for Headquarters and on-site management of the Reserves (64 FTEs) in the following areas: policy and planning; petroleum engineering; facilities engineering; financial management; ADP; procurement; personnel; and environment and safety. Complete engineering, financial, administrative and human support for divestiture activities. Provide support for transition.	Funding by Oject Class: Personnel Compensation $2,469 Benefits 3,337 Travel 170 Contractor Services 900 Provide for 62 FTEs, of which 36 are required for Headquarters and on-site management of the Reserves, and NPR-1 close-out activities. An additional 26 FTEs are provided for transfer to other DOE programs as part of a Federal Employee Transition Plan. FTEs will be used in the following areas; policy and planning; petroleum engineering; facilities engineering; financial management; ADP; procurement; personnel;
	(cont'd next page)	(cont'd next page)	(cont'd next page)

III. **Performance Summary:** PROGRAM DIRECTION (cont'd)

Activity	FY 1997	FY 1998	FY 1999
Program Direction (cont'd)	Provide support for transition. Begin close-out activities. Continued to implement the Federal Employee Transition Plan.	Begin close-out activities. Continue to implement the Federal Employee Transition Plan and provide severance upon completion of sale and the transition perid. Decrease due to reduction in programmatic requirements.	and environment and safety; NPR-1 close-out activities, and to begin activities for the final disposition of the NOSRs and NPR-3; continue the Federal Employee Transition Plan and provide severance as necessary. Decrease due to reduction in programmatic requirements.
	$22,636	$7,800	$6,876
Program Direction Total	$22,636	$7,800	$6,876

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY

DISTRIBUTION OF FTE'S
NAVAL PETROLEUM AND OIL SHALE RESERVES

	Full-Time Equivalents		
	FY 1997 Request	FY 1998 Request	FY 1999 Request
Headquarters	16	16	13
Casper Naval Petroleum and Oil Shale Reserves	18	18	13
Elk Hills Naval Petroleum and Oil Shale Reserves	38	38 *	36 *
Total	72	72	62

* Includes 26 FTEs that are going to be transferred to other field offices.